



FS-17-Economy

DEMOCRATIC POLICY COMMITTEE **FACT SHEET**

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Democratic Economic Record: Surplus Budgets, Job Growth and Low Inflation

Democrats Deliver Results on the Economy

The Democrats' 1993 budget set the stage for a strong economy. In 1993, congressional Democrats passed President Clinton's economic plan without a single Republican vote. The Democrats' economic strategy was designed to cut the deficit and invest in critical priorities, such as education and job training. As a result of that tough vote, we now have the strongest economy in a generation marked by a budget in surplus, the longest peacetime expansion in history, the lowest peacetime unemployment since 1957, and inflation at a generational low.

Six years ago, Republicans lined up to condemn the Democratic economic plan (see appendix). Republicans predicted it would be a disaster, claiming that the plan would increase the deficit and send our economy into a tailspin. Our economy continues to grow. Republicans couldn't have been more wrong.

Democratic Policy Committee
United States Senate
Washington, D.C. 20510-7050

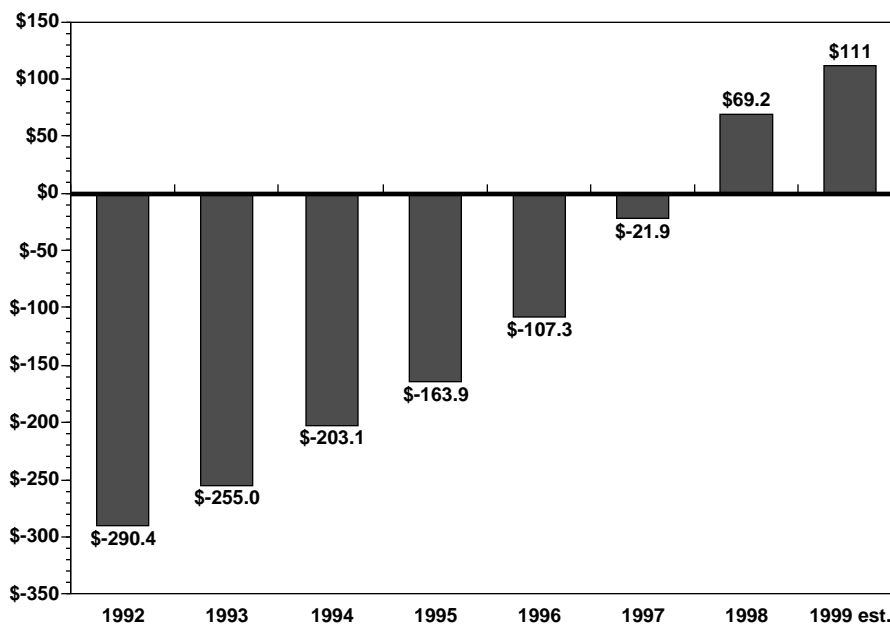
Tom Daschle, Chairman
Byron Dorgan, Co-Chairman

Democratic Fiscal Policy Results in Good News for All Americans

Longest peacetime expansion ever. April 1999 marked the 97th consecutive month of economic expansion—the longest peacetime expansion in American history.

Restoration of fiscal strength. In 1992, the budget deficit was \$290 billion—the highest dollar deficit in U.S. history—and was projected to reach over \$400 billion by the end of the decade. As a result of the implementation of Democratic economic policy, we ended decades of deficits and produced a surplus in 1998—the first since 1969. In 1999, the Congressional Budget Office (CBO) predicts a unified budget surplus of more than \$111 billion—the largest dollar surplus on record. Unified budget surpluses over the next decade will total over \$2.6 trillion.

Deficit Reduction and Surplus Since 1992 (in billions of dollars)

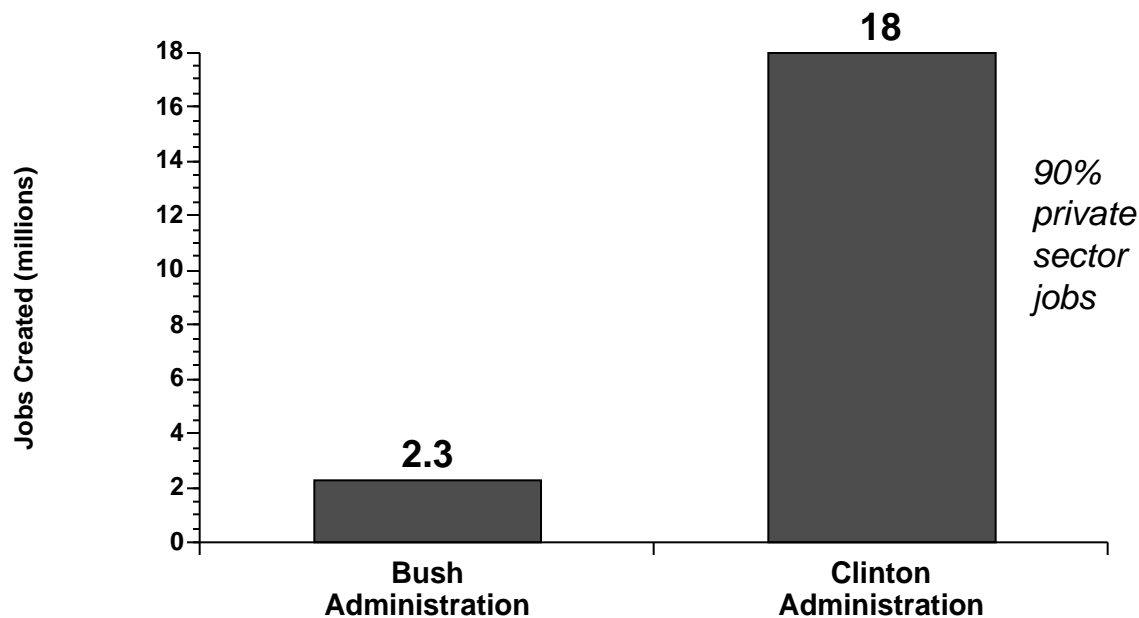


Source: *The Budget for Fiscal Year 2000, Historical Tables*

The lowest unemployment in almost 30 years. In 1992, the unemployment rate averaged 7.5 percent. Today, at 4.3 percent, unemployment is at its lowest level in 29 years and at its lowest peacetime rate since 1957. In addition, the jobless rate has stayed below five percent for 18 months in a row. Although their unemployment rates remain above those of the overall workforce, the jobless rates for blacks and Hispanics fell in January 1999 to the lowest levels since the Federal Government began tracking these numbers in the early 1970s.

18 million new jobs have been created—the vast majority in the private sector. The economy has created approximately 18 million new jobs since January 1993. More than 90 percent of these jobs have been created in the private sector—the highest percentage in 50 years. The economy has created almost eight times as many jobs during the first six years of the Clinton Administration as it did during the previous Administration.

Total Jobs Created Bush vs. Clinton Administrations (in millions)



Source: Bureau of Labor Statistics

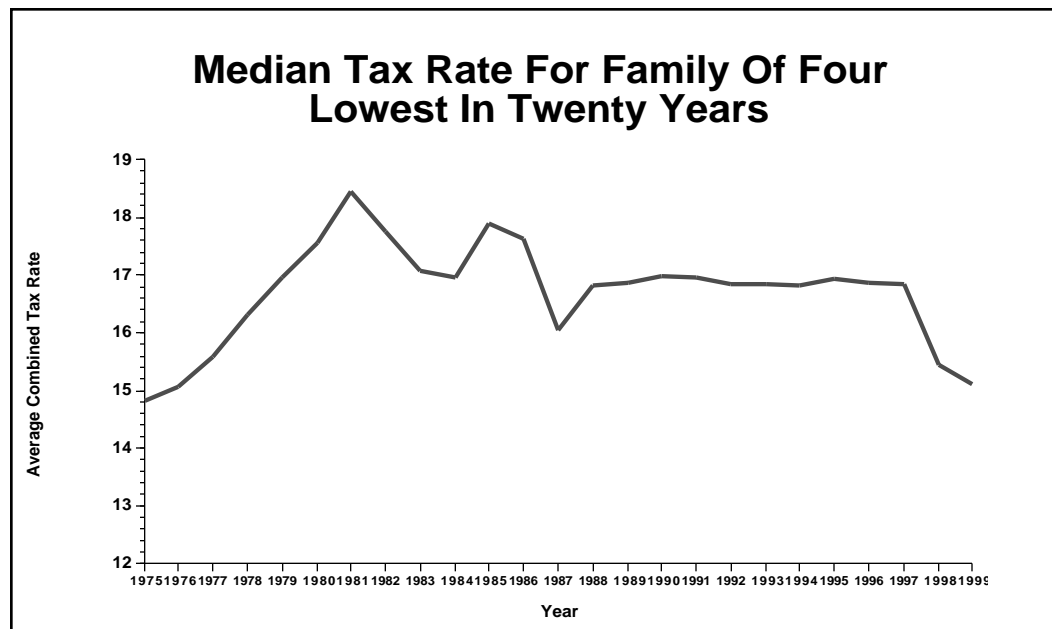
Labor productivity indicates living standards are up. A less-cited indicator of economic growth is labor productivity—total economic output divided by the number of man-hours needed to produce it. Another surge in productivity in the fourth quarter helped create a healthy 2.2 percent increase in productivity in 1998. Furthermore, it is no coincidence that higher productivity has accompanied the most-sustained increases in many years in wages and salaries.

Real hourly wages are up. Before the current administration, real hourly wages were down five percent between 1981 and 1992. In 1998 alone, real hourly wages increased approximately 2.7 percent—the fastest increase in over 20 years.

Median family income is up. Median family income (adjusted for inflation) was down \$1,835 from \$43,674 in 1988 to \$41,389 in 1992. Since 1993, the median family income has increased \$3,517 to \$44,568 in 1997.

Lowest taxes for middle- and lower-income families in two decades. For a family of four, the 1999 average combined tax rate is 15.11 percent—the lowest rate since 1976.

Following Democratic efforts to increase the Earned Income Tax Credit (EITC), the effective Federal tax rate has dropped from 8.0 percent in 1992 to 4.6 percent in 1999 for the poorest one-fifth of Americans.



Source: Treasury Department, Office of Tax Analysis

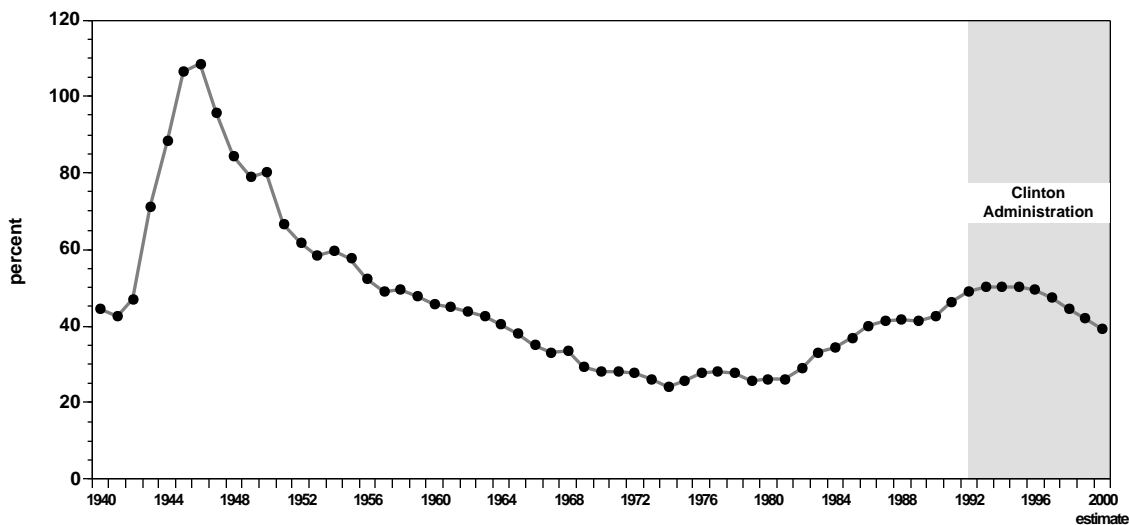
Welfare rolls have plummeted. In January 1993, 14.1 million people were on the welfare rolls. Since then, the number of people on welfare has dropped by 44 percent to just below eight million. This represents the lowest percentage of people on welfare in more than 30 years.

The rate of inflation is the lowest it's been in more than thirty-five years. The average annual rate of inflation from 1981 to 1992 was 4.2 percent. Since 1993, inflation has averaged 2.5 percent per year—the lowest average rate of inflation since the Kennedy Administration.

National debt as a percentage of GDP has dropped. Debt as a percentage of the Nation's overall economy (gross domestic product) dropped steadily from the end of World War II until the final years of the Carter Administration. Then the debt's share of the economy soared in the Reagan and Bush years, not to come down again until the Clinton Administration.

Federal Debt at the End of the Year: 1940-2000

(Federal debt held by the public as a percentage of GDP)



Private-sector growth is up 4.1 percent per year. From 1981 through 1992, the private sector grew 2.4 percent annually. In the last six years, the private sector of the economy has grown at the far faster rate of 4.1 percent per year—the fastest rate of increase since the Johnson administration.

Real business investment is booming. Real business investment increased by just 1.9 percent annually from 1988 to 1992. By sharp contrast, under President Clinton, real business investment has been up 12.3 percent per year—the fastest growth rate since the Kennedy administration.

Direct Link Between the 1993 Budget and the Robust Economy

Alan Greenspan, chairman of the Federal Reserve Board, described on February 20, 1996 the direct relationship between the 1993 budget and the economic expansion that followed: “[the 1993 budget was] an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter.”

In 1997, *Business Week* also commented on the growing evidence that Democratic economic policy has fueled an investment-led expansion: “Clinton’s 1993 budget cuts, which reduced projected red ink by more than \$400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity” (*May 19, 1997*).

In March 1998, Goldman Sachs cited the Administration’s economic policy as one of the primary reasons for “the best economy ever” in the United States.

And in a column on February 7, 1999, David Broder of the *Washington Post* stated: “Thanks to the budget decisions [President Clinton] has made ... we have gone from confronting deficits as far as the eye could see to the prospect of large budget surpluses.”

Economic Experts Laud Performance of the Economy

“Recent performance is both better than expected and better than most of us thought the structure of the economy would allow.”

—Laurence Meyer, governor, Federal Reserve Board,
New York Times, April 18, 1999

“The economic outlook is strong. There’s breadth in demand; consumer confidence is high; interest rates, although turning up slightly, are still very attractive. Those forces all combine to result in good levels of economic activity.”

—William G. Foote, chairman and CEO, USG Corporation,
Chicago Tribune, May 2, 1999

“Consumers continue to remain optimistic, jobs remain plentiful and wages continue to rise. All of which is good news for the economy as we move into the future.”

—Brian Wesbury, chief economist,
Griffin Kubik Stephens & Thompson,
New York Times, April 28, 1999

“The news couldn’t get any better for the U.S. economy. The productivity of American workers surged 4 percent in the first three months of this year, the government said Tuesday, signaling the economy is in tiptop shape, with no signs of inflation in its ninth year of expansion.”

—Editorial, *Journal of Commerce*, May 14, 1999

“The relentless strength of the U.S. economy means that prosperity reigns and corporate earnings will show healthy gains. While bond yields may move temporarily higher, the overall picture remains a good one.”

—Bruce Steinberg, chief economist, Merrill Lynch & Co.
Bridge News, May 10, 1999

“It’s so perfect. You have low unemployment. You have a good wage rate and low inflation. You can’t get it any better than this.”

—Stan Shipley, economist, Merrill Lynch,
Chicago Tribune, April 30, 1999

“In this environment, it would be hard not to make money. The economy is healthy, people are buying, businesses are expanding and bank overhead costs are coming down with more use of technology.”

—Harry Gage, bank analyst, Gage & Co.,
The Business Press/California, May 3, 1999

Conclusion

Through a combination of sound policy, good overall conditions, and hard work by American workers and businesses, the current economic expansion has fueled employment and held inflation to a low level. Democratic economic policies that laid the foundation for the current expansion will continue to pay off in stronger growth, productivity, and higher standards of living for millions of Americans. Democrats will continue to promote policies based on fiscal responsibility and sound investments in America's future as we look forward to the next millennium.

Appendix

Setting the Record Straight

1993—Newt Gingrich: *“The tax increase will kill jobs and lead to a recession, and the recession will force people off of work and onto unemployment and will actually increase the deficit.”* (*Atlanta Journal-Constitution*, 8/6/93)

Today: The economy has created 18 million new jobs since January 1993. (*Source: Economic Report of the President, February, 1999*)

1993—Senator Phil Gramm: *“I believe this plan is going to make the economy weaker. I believe hundreds of thousands are going to lose their jobs.”* (*CNN*, 8/7/93; *The Houston Chronicle*, 8/7/93)

Today: The unemployment rate is at 4.3 percent—and has remained below five percent for 18 months. Unemployment this year is the lowest in almost three decades. (*Source: Data from the Bureau of Labor Statistics, April, 1999*) The private sector of the economy has grown 4.1 percent annually—a stronger record of private-sector growth than under Presidents Bush or Reagan. (*Source: Data from the Department of Commerce, Bureau of Economic Analysis, 5/7/99*)

1993—Then-Representative Rick Santorum: *“[People] know it’s bad policy. Let’s do something that creates jobs, that really will solve the deficit, not just feed this monster of government with more and more money for it to go out and spend more and more.”* (*Pittsburgh Post-Gazette*, 8/6/93)

Today: The Congressional Budget Office projects a surplus of \$111 billion this year. (*An Analysis of the President’s Budgetary Proposal for Fiscal Year 2000, Congressional Budget Office, 4/99*)

1993—Representative Bill Archer: “Instinctively Americans know these new tax increases are job-killing poison for the economy. They do not believe for one minute that the Democrats’ tax increases are going to create jobs, nor do most of the economists in this country.” (*Source: Congressional Record, p. H 6125, 8/5/93*)

Today: Since 1993, the economy has added about three million jobs per year. (*Source: Economic Report of the President, 2/99*)